

The Gazette



of India

EXTRAORDINARY

PART I—Section 1

PUBLISHED BY AUTHORITY

No. 41]

NEW DELHI, WEDNESDAY, MARCH 29, 1961/CHITRA 8, 1883

MINISTRY OF COMMERCE & INDUSTRY

RESOLUTION

New Delhi, the 24th March 1961

No. 22 (1)-Tex(B)/60.—A Working Group for the cotton textile industry was set up in August, 1959 by the National Industrial Development Corporation with the following members:—

Chairman

1. Shri D. S. Joshi, ICS, Textile Commissioner.

Members

2. Shri Krishnaraj M. D. Thakersey
3. Shri G. D. Somani
4. Shri K. Sreenivasan
5. Shri S. R. Vasavada
6. Shri Ram Ratan Gupta
7. Shri Trilokinath Sharma
8. Shri N. Majumder

Member Secretary

9. Shri K. R. Aravamuthan

2. The task assigned to the Working Group was to examine the extent of finances required for modernisation and rehabilitation of the cotton textile industry, the element of foreign exchange involved, the finances likely to be forthcoming from the industry itself, the ways and means of securing the balance, and all other allied problems.

3. During the course of its enquiry, the Chairman and a few of the members of the Committee visited Japan and some of the countries in Europe for an on-the-spot study of the conditions prevailing in the advanced textile manufacturing countries. The Committee also toured important textile manufacturing centres in India and conferred with leading representatives of the industry.

4. The Working Group has submitted an unanimous report in which they have particularly emphasised the fact that in India the problem of modernisation has assumed its present huge dimensions largely because of the old and outmoded machinery installed in the majority of the mills and the comparative neglect of these machinery during the war years and thereafter. The main recommendations of the Working Group are embodied in Annexure I to this Resolution.

5. Government are broadly in agreement with the recommendations of the Working Group. Government accept the view of the Working Group that mere replacement of old, worn out, uneconomic or obsolete machines would not constitute complete modernisation. Apart from these processes, modernisation covers the introduction of modern techniques and methods and the adoption of the latest devices and management skill by which productivity and quality of production could be improved, unit costs reduced and the strain on the operatives relieved to the largest possible extent.

6. Government also agree with the Working Group that modernisation is not merely a question of installing the latest machinery and equipment, but is a multi-phased problem which should be conditioned by the availability of finances, the degree of labour displacement and the need to ensure a minimum standard of efficiency in all units. At the same time, failure to effect timely modernisation will leave the industry including labour in a position of great disadvantage. Government, therefore, accept the recommendation of the Working Group that the immediate objective should be the achievement of a minimum level of modernisation. Certain units have already reached or even exceeded this minimum level. Such units may effect further modernisation provided they have the necessary financial resources and are in a position to accomplish modernisation consistent with the principles laid down at the 15th Labour Conference.

7. The Working Group has estimated the cost of a modest scheme of modernisation and rehabilitation to be about Rs. 180 crores, of which not less than Rs. 80 crores would be raised by the industry itself from out of its own resources. The industry will seek to obtain the balance from financing institutions like the National Industrial Development Corporation etc. Government appreciate and accept the vital need for modernisation and rehabilitation of this important industry. They have noted this recommendation and propose to constantly review the position during the Third Plan period so as to expedite the pace of modernisation, rehabilitation and diversification of the cotton textile industry.

8. Many of the recommendations of the Working Group are intended to be implemented by the industry, particularly those relating to rationalisation with the whole-hearted co-operation of labour, enlargement of the scope of third shift working as a means of absorbing surplus labour, improving managerial standards, pooling of technical knowledge and expertise for the common benefit of all units particularly the weaker ones, and the setting up of a small Committee of representatives of the industry and Government to explore the possibilities of securing assistance from different foreign countries towards the foreign exchange requirements of rehabilitation and modernisation. The Working Group has also drawn the attention of the industry to the need for maintaining harmonious management—labour relations, providing initiative to labour to contribute to the efficiency of the mills, training within the industry and maintenance of healthy service conditions for technicians. The Government commend these suggestions to the industry and hope that immediate efforts will be made to implement them.

9. With regard to the role of the National Industrial Development Corporation in the process of modernisation and rehabilitation, the Working Group has made a number of recommendations particularly in respect of the liberalisation of the terms and conditions and scope of financial assistance given by the National Industrial Development Corporation to the industry. It has also been suggested that it would be necessary and advisable for the National Industrial Development Corporation and public financing agencies to issue sizeable amounts by way of equity capital to mills. These recommendations are under the consideration of the Government.

10. The Working Group has suggested that it would be advisable for the National Industrial Development Corporation to have a small strength of selected personnel who could be formed into a recognised cadre in due course for being deployed as Resident Directors or Controllers of Mills which are taken over by Central or State Governments from time to time or which have carried out large programmes of rehabilitation with the financial and other assistance sanctioned by the National Industrial Development Corporation. In the context of prevailing conditions, Government do not think that there is any inadequacy in the technical and organisational manpower resources of the textile industry. However, Government would keep in view the need for organising training programmes for such personnel and for forming a separate cadre of officials under the National Industrial Development Corporation, should such need arise.

11. The Working Group considers it necessary that a continued examination of the causes of closures, losses and unsatisfactory working of less efficiently working textile units should be made. It has recommended that this diagnosis may be done by a small representative group consisting of the top level management, top level technicians, labour representatives and Government representatives. This Group may be designated as the Textile Mills Standing Advisory Group or Committee. Government accept this recommendation and steps will be taken shortly to appoint this Committee.

12. The Working Group has rightly drawn attention to the inevitability of a certain amount of rationalisation in the process of modernisation. As the problems of rationalisations are bound to differ from mill to mill, the Working Group has recommended the setting up of a suitable machinery which could analyse and help to resolve the problems of each individual mill. Government accept the need for such a timely analysis and a suitable machinery is being set up for this purpose.

13. Another important recommendation of the Working Group is with regard to the revival of closed mills under Government auspices or any other suitable agencies. The Working Group has recommended that simultaneously with the continual running of such units by authorised Controllers of State Governments or Central Government or any other suitable agencies, there should be a process of compulsory liquidation so that the assets and liabilities of the old unit are available to the labour and other creditors, management and the shareholders. Government accept this recommendation in principle. The problem however is one which bristles with practical difficulties and will need comprehensive examination.

14. The Working Group has pointed out that where rehabilitation of a unit is not worthwhile, the unit should be compulsorily scrapped and that the provisions of the Industries (Development and Regulation) Act may be suitably amended so as to ensure that in cases where the mills' plant and machinery are irretrievable, compulsory scrapping may be enforced and such scrapped machinery should not be permitted to be utilised elsewhere. Government are in agreement with the Working Group on this recommendation.

15. The Working Group has recommended that licensing of new capacity in lieu of capacity voluntarily or compulsorily scrapped should be allowed at the same place or in the same centre or in any other centre within the same State in consultation with the State Government concerned. Government have already been following this principle in dealing with applications for new mills.

16. In order to protect the interests of the users of the indigenous machinery and ensure proper quality of such machinery, the Working Group has reiterated a suggestion that an Inspectorate of Machinery should be set up in the office of the Textile Commissioner. Necessary steps for the setting up of such an Inspectorate are already underway.

17. The recommendation of the Working Group with regard to the restoration of the third shift depreciation allowance is under Government's consideration.

18. Government accept the Working Group's proposal that 3 new units with a capacity of 25,000 spindles and 500 looms each and equipped with up-to-date types of machinery including processing equipment should be allowed to be set for production of faultless cloth on automatic looms subject to the condition that the entire or a large part of the output should be compulsorily exported.

19. The Working Group has recommended that labour laws should be amended in those States where more than one Union is recognised at present so as to enable the management to negotiate a settlement with only one Union as spokesman of the labour. The Ministry of Labour and Employment are alive to this problem and steps have already been taken which would largely meet the point of view urged by the Working Group.

20. The Working Group has suggested the creation of a "Closure Fund" out of which payments could be made to scrapped units as a sort of compensation. It is felt that the creation and administration of such a fund would give rise to some practical difficulties. There is also provision under the present regulations, for the grant of retrenchment benefits to the workers of such units. However, this recommendation will be further considered by Government.

ORDER

Ordered that the Resolution be published in the Gazette of India.

Ordered also that a copy of the Resolution be communicated to all concerned

C. S. RAMACHANDRAN, Jt. Secy.

ANNEXURE I.

Summary of main Recommendations of the Working Group for the Cotton Textile Industry 1960.

1. Renovation or re-construction of buildings should also be integral part of modernisation (para 17).

2. Mills which are already modernised may also modernise further provided they have the necessary financial resources and are in a position to accomplish modernisation by following the principles laid down at the Fifteenth Labour Conference (Para 25).

30. The Working Group are firmly of the view that the essential expenditure on spare parts should be the first charge on foreign exchange resources and should be adequately met (para 42).

4. In order to protect the interests of the consumers of the indigenous machinery and ensure proper quality of such machinery, the Working Group concur in the proposal of the Ad Hoc Committee for the setting up of an Inspectorate in the Office of the Textile Commissioner (para 55).

5. As far as possible, licences for new capacity issued on the ground of closure of units which should be scrapped voluntarily or compulsorily should be allowed at the same place or in the same centre or in the alternative in the same State in any other centre with the consent of the State Government concerned (para 70).

6. On principle, the Working Group do not consider that allocation of additional capacity should be governed by the volume of surplus labour on account of rehabilitation and modernisation of the industry in each of the parts of the country (para 71).

7. It will help reduce the size of the problem of surplus labour if provision is made for suitable gratuity on superannuation. In addition, compensation by agreement may be provided for to achieve a further measure of rationalisation (para 76).

8. If third shift working is resorted to absorb the surplus workers, labour has to be assured of continuity of service in third shift and if third shift is discontinued, the obvious course is to restore status quo ante (para 77).

9. The Working Group would suggest that as far as possible third shift working should be encouraged to enable a speedier rehabilitation and modernisation of at least some of the sections of the textile industry which require such a measure as a matter of urgency (para 79).

10. The time has come to cry a halt to any further recruitment of textile workers in the textile industry in the different centres as far as possible. A rigid Badli list should be maintained in each area and persons should be put in this list only through the Employment Exchange where it exists. Simultaneously the decasualisation scheme should be applied so that one could take stock of the position to ensure that workers found surplus are found alternative jobs (para 80).

11. The Working Group recommend that some machinery should be devised as recommended by the Textile Enquiry Committee (1958) to settle questions of rationalisation unit by unit (para 81).

12. There have been also some cases of deliberate mismanagement with no consideration on the part of these managements either for the shareholders or for the workers. Such managements have no place in the industry. It is in the interests of the industry if such people can be weeded out so that the industry can be built on strong and stable foundations (para 84).

13. The Working Group would suggest to the industry itself to re-model their managerial standards and improve them by collective thinking and pooling of knowledge. The method of selection for supervisory and managerial positions should also require toning up (para 86).

14. In cases where the industrial units cannot afford the services of good technicians, a group of mills in one locality should employ a technician of high calibre as a common Technical Adviser (para 91).

15. In cases of mills where it is not possible to have independent technicians of high calibre, the Working Group would suggest formation of a panel of technicians in various Branches of the textile industry and the names of these technicians should be circulated to all mills and individual mills should be free to draw on their services as and when necessary (para 92).

16. The Working Group are of the view that on balance of considerations, the minimum economic and workable unit of a textile mill in the present conditions should have 12,000 spindles and 300 looms. While this is the absolute minimum capacity, the Working Group also suggest that the industry could, as far as possible, go up to the level of 18,000 spindles and 400 looms in due course with further increase to about 25,000 spindles and about 500 looms. In giving this opinion, the Working Group are guided by the fact that the industry is slowly going in for finer counts (para 113).

17. As an experimental measure the Working Group recommend the setting up of five new units with a capacity of 25,000 spindles and 500 looms each and equipped with up-to-date types of machinery including processing equipment. These units would produce faultless quality cloth woven on Automatic Looms, the entire output to be compulsorily exported (para 115).

18. It would be both necessary and desirable to provide the necessary loan capital for rehabilitation and modernisation at very reasonable rates with liberal concession in the matter of instalments and repayment (para 120).

19. The Working Group would suggest that as far as possible for a project in a mill, the mill company should be facilitated to approach only one lending agency (para 124).

20. In the matter of grant of loans, the approach should as well be one of constructive help sought to put the industrial units back on their footing by remedying the defects rather than one of rejecting the loan on account of such defects. The industry on its part should not hesitate to accept the remedial step suggested in whatever terms the loaning authority cloths the terms and conditions (para 124).

21. It would also be necessary and advisable for the N.I.D.C., and Public Financing Agencies to issue sizable amounts by way of equity capital to mills for rehabilitation and modernisation. Simultaneously the mills have to reduce costs in all directions (para 127).

22. The Working Group suggest for consideration that the third shift depreciation allowance may be restored (para 128).

23. A small Committee consisting of representatives of the industry and Government should explore and assess the probabilities of securing assistance in the different foreign countries towards the foreign exchange requirement for rehabilitation and modernisation. The Indian Cotton Mills Federation and the Southern India Millowners Association may be asked to process this recommendation further with the assistance of the Government (para 129).

24. Where rehabilitation of any unit is not worthwhile, it is necessary that the units are compulsorily scrapped (para 133).

25. Complete closure of units for a long time hardly safeguards labour's interests. It should, therefore, be for the benefit of labour also if some major solution is found in such cases. The remedy should be that if the unit is worthy of running a new, a new party will be willing to come provided it is made free from any encumbrances attached to the old unit. The object can be accomplished by compulsory liquidation of the old unit simultaneously with public authority running it pending some new party coming in to buy over the unit. This ensures continuity of employment and at the same time the old load is taken off the new management (para 138).

26. Of the 39 units remaining closed, 20 units as in Annexure VI, are such as cannot be revived. The Working Group are of the view that these units should be scrapped wholesale. The remaining 19 units should be investigated into and assisted to the extent possible so that they could be rehabilitated and brought back to working (paras 139 to 141).

27. The Working Group recommend the law on the subject may be suitably amended so that in cases where mills' plant and machinery are irretrievable, compulsory scrapping may be enforced. National interest would justify the scrapping of the machinery which cannot and should not be utilised elsewhere (para 144).

28. By and large the Working Group agree with the new that while existing mills having machines of less than 20 years old need not be forced to replace their machinery, units which are newly set up under licences either against scrapped unit or against fresh capacity including substantial expansion should not be permitted to instal out-moded old machines. For this purpose, the Group would classify machines prior to 1947 as out-dated (para 145).

29. After anxiously considering the legal provisions for revocation of licences for good cause, the Working Group think that the best results can be achieved by offering some inducement for the old units to go out. The solution suggested is an element of compensation or "closure fund". The Working Group consider a compensation at Rs. 10 per spindle and Rs. 400 per loom may be the inducement. This amount can be easily found by levying some kind of licence fee or premium on new licences or expansions. This is possible in Indian conditions as there will be the need to licence additional capacity in the industry during the Third Five Year Plan (para 147).

30. The Working Group consider it necessary that a continued examination of the causes of closure and sickness of textile units should be made. This diagnosis may be done by a small representative group consisting of top level management, top level technicians, labour representatives and Government representatives. This Group may be designated as Textile Mills Standing Advisory Group or Committee. (para 152).

31. The Working Group do not see any reason why the Company Law Administration should not enforce rigorously the relevant provisions of the Companies Act so that delays in the publication of Balance Sheets and Annual Accounts are avoided. Such delays are, in the opinion of the Working Group, pointers to the existence of inherent maladies (para 153).

32. The Working Group consider that it would be advisable for the N.I.D.C. to have a small strength of selected persons who could even form into a recognised Cadre in due course for being deployed as Resident Directors or Controllers of mills wherever such appointments are necessary (para 154).

33. In a number of cases where Government may appoint an Authorised Controller or run a unit on arrangement of lease, the benefit of any improved management would merely go to the old management which was responsible for bringing the unit to ruin. This is hardly fair for the community. It is for these reasons that the Working Group are recommending that simultaneously with the continued running of such units there should be a process of compulsory liquidation so that the assets and liabilities of the old unit before it was taken over are available to the labour and other creditors, management and the shareholders (para 159).

34. Unless a continued and healthy atmosphere of mutual understanding is created between the labour and management, it will be difficult to attain useful results whatever be the improvements made in other directions (para 160).

35. The Working Group consider that as a measure of utmost urgency the labour laws would require to be amended in those States where more than one union is recognised at present so that the Management may jointly or severally negotiate a settlement only with one union as spokesman of the labour (para 160).

36. In foreign countries visited by some of the Members of the Working Group it has been found that many of the improvements on machine introduced in mills have been brought about by suggestions from the operatives. The Working Group would recommend the adoption of similar system of inviting suggestions from operatives with monetary inducements following the acceptance of the suggestions (para 160).

37. The Working Group are convinced that by and large, as a matter of policy, the industry has not as yet introduced the system of training of their workers. If proper training courses are started and if appropriate trainings are imparted, it will eventually be good to the industry as productivity will go up. A small percentage of the machines in the different sections may even be kept separately to provide the necessary training. The training of workers at plant level will improve the skill of workers and make them adapt themselves to working on modern machines and create better work consciousness (paras 161 and 162).

38. The Working Group would suggest that there is a need for creating a healthy condition for the technical cadre in the matter of promotions, etc., and instilling in them an assured feeling of security of service. High grade technicians actually serving in the industry should be enabled to serve in a panel in each centre so that weak units could draw on the advice of the panel *ad hoc* whenever such advice is necessary (para 163).

